March 19, 1979

Foreign Agriculture

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

2 Selling in China: Guides for Exporters of U.S. Farm Products

6 FAO Helps World Solve Food and Agricultural Problems

8 Indian Coffee Is Big Foreign Exchange Earner

10 Peru Sets 1979 Plan for Agricultural Imports

12 FAS Reports World Farm Trade A Record

An FAO extension worker discussing rice production with Iraqi farmers.

Selling in China: Guides for Exporters Of U.S. Farm Products

By John L. Nuttall

The recent widening of China's door to Western trade offers many opportunities for U.S. exporters of agricultural and agribusiness products. Pinpointing Chinese needs and selling in this still-complex market is another matter, however, that needs to be explored carefully by U.S. exporters unfamiliar with the Chinese way of doing business. The following article—the second of two on the Chinese farm market—explains the major steps necessary to sell in this burgeoning market.

Few moves have so excited the American imagination as has the decision by China and the United States to normalize relations.

The trade possibilities alone appear immense, given China's nearly 1 billion people, improving living standards, and recent decision to pursue rapid economic modernization. (See *Foreign Agriculture*, March 12, 1979.)

Yet a host of economic and political questions must be resolved before trade between the two countries can flourish, and doing business with China still is a tedious, sometimes-prolonged undertaking far different from transactions in most markets.

Sales Prospects

Foreign trade long has played an important role in Chinese economic development. Earnings from exports have helped finance imports of intermediate and producer goods, as well as commodities in short supply.

Traditionally, intermediate and producer-goods imports were directed primarily to the industrial sector, and most agriculture-related imports were used to compensate for deficient agricultural production. However, recent Chinese pronouncements calling for rapid agricultural modernization point to changes in this trade flow.

Agriculture, in fact, could be a primary beneficiary of the stepped-up buying now being contemplated by the Chinese, since one of their main goals appears to be agricultural modernization. This rising demand for technology, equipment, and modern production inputs, in turn, should bolster sales prospects for U.S. agriculture and agribusiness products.

The agricultural commodities with potential include corn, wheat, soybeans and products, and cotton.

Although the United States in most of the past few years has been excluded from China's grain market, it now appears likely to gain a large and regular share of that outlet. Current indications are that the United States may supply about half of the 10-12 million metric tons of grain expected to be imported annually by China during the next few years. That total from all suppliers is about double the average of grain imports during 1973-77.

(During the current marketing year, China is expected to import a record 13 million tons of grain.)

In the past, China has imported primarily wheat (much preferred to corn for human consumption). However, corn now appears to be gaining a foothold in the market and should continue to grow in importance given China's intention to build swine and poultry complexes near urban centers and boost total hog and poultry output.

Recent improvement and expansion in China's grain-handling facilities indicate that port congestion need not be a major barrier to importing this large volume. Shanghai—China's largest port—has increased its grain-handling capacity by 4 million tons since 1973, and additional facilities capable of handling 2 million tons annually have been established in Huangbu east of Guangzhou. (Canton).

All told, Chinese facilities are capable of handling at least 16-17 million tons of grain per year.

Cotton fiber should continue as a major U.S. export to China, and it is possible that exports of soybeans, soybean oil, tallow and hides and skins will increase. During 1975-77, U.S. agricultural exports to China averaged only about $50 million per annum. Their value rose to over $600 million in 1978, and will increase further this year.

Already, in fact, U.S. exporters have contracted to ship more than $500 million worth of farm products to China during 1979.

The author is an international economist with the Centrally Planned Economies Division, FAS.

Pinyin Romanization Now in Use

Since January 1, 1979, China has been using pinyin romanization in its official pronouncements. The pinyin system—developed by the Chinese in the 1950's—replaces the Wade-Giles system and is used in this article. Following is a list of name changes for some of the cities and streets mentioned in the article.

Wade-Giles	*Pinyin*
Peking	Beijing
Canton/ Kwangchow	Guangzhou
Huang-pa	Huangba
Erh Li Kou	Erligou
Hsi Chiao	Xijiao
Kuanghua	Guanghua
Tung An Men	Dong'an-men

U.S. exporters will be in competition with Canada, Australia, and Argentina in wheat sales; with Argentina in corn sales; with Central America, Mexico, and other suppliers in cotton sales; with Brazil in soybean and soybean oil sales; and with New Zealand, Australia, and Canada in tallow sales.

There likewise should be rapid expansion of U.S. agribusiness exports to China. Currently, the Chinese are highly interested in purchasing herbicides and are generally interested in other pesticides and agricultural chemicals.

In addition, the Chinese have arranged for purchases of whole plants and equipment for the chemical industry. As these plants go into operation, Chinese demand for imports of pesticides and agricultural chemicals could decrease. Thus, current Chinese purchases of these products may be a short-run phenomenon.

The Chinese are especially interested in the technological expertise characteristic of U.S. agriculture. Current areas of interest include the following:

- Agricultural machinery —plants for agricultural and livestock industries;
- Seed processing—machines for seed drying, selecting, grading, and testing;
- Feedstuff industry—complete equipment for premixed feed, bulk feed transportation equipment, computers for feedstuff formulation, complete equipment for producing feedstuff additives, and drying equipment;
- Food processing—plants and equipment;
- Germplasm of agricultural crops—methods and equipment for preservation and research methods.
- Plastics for agriculture —pipes for sprinkling and drip irrigation and packaging materials.

It should be noted that these are probable areas of expansion. Arrangements for exports of U.S. agribusiness technologies and products are still in developmental stages.

Sales Procedures

Trading with the Chinese is characterized by an extremely structured and formalized set of procedures. The Planning Commission of the State Council determines various input-output targets and needs, derives the corresponding import requirements, and directs the Ministry of Foreign Trade to procure these items. Various Foreign Trade Corporations (FTC's) act as buyers and sellers of particular products.

Currently, there are indications that the Ministries are getting more involved in foreign trade and may take over some of the foreign business responsibilities of the FTC's. Copies of proposals to the FTC's also should be sent to the Ministries concerned.

For the time being, however, it is still necessary to contact the FTC's. The procedure is as follows:

- Find the appropriate FTC (the one most closely related to the product lines —see box on page 5).
- Prepare a sales (or purchase) proposal and send it to the FTC in Beijing (Peking). It may also be worthwhile to contact the Hong Kong office.

If the proposal is of interest to the Chinese, they may request additional information, ask that the proposal be prepared to Chinese specifications, or invite the exporter to Beijing for further discussion.

- Because of the time involved in international postal exchange, it would be appropriate to cable or telex the FTC that a proposal is on the way. The proposal should clearly define the product or product group and should be straightforward and technically comprehensive.
- Twenty copies of the proposal should be sent to the FTC, which will need the copies for distribution to potential endusers. (One of the FTC's has complained that U.S. companies supply too few copies for transmittal to endusers.) If the product is covered by several FTC's, prepare proposals for each.

"USA" or "United States" should be included as part of the return address.

Never refer to past difficulties or relations between the United States and China. Always refer to China or the People's Republic of China, rather than mainland China or Red China.

- Copies of the proposal, or the cover letter, should be sent to:

Commercial Office
Embassy of the People's Republic of China
2300 Connecticut Avenue, N.W.
Washington, D.C. 20008

Agricultural Attaché
American Embassy
17 Guanghua Lu
Beijing, People's Republic of China.

- If possible, include Chinese translations (in simplified characters) of cover letters sent to the FTC and the Chinese Embassy. The National Council for U.S.-China Trade Translations Service, Inc., 1050 17th Street, N.W., Suite 670, Washington, D.C. 20036, is one of the organizations providing this service.
- Finally, several copies of any technical information contained in the proposal should be sent to:

Center Introducing Literature and Samples of New Foreign Products
P.O. Box 615
Beijing, People's Republic of China.

The entire procedure may take several months. If there are indications that the Chinese are interested in the product(s), send additional information (including copies), with a cover letter referring to the original proposal. The procedure for sending the additional information should duplicate that used in sending the original proposal.

Contracts are binding and must be honored. A cancelled contract would definitely have adverse implications for future sales.

Pay close attention to the wording in the contract. Conventions adhered to in

"Agriculture, in fact, could be a primary beneficiary of the stepped-up buying now being contemplated by the Chinese, since one of their main goals appears to be agricultural modernization."

the West may not be acknowledged or followed by the Chinese. Specifications in the contract are fully enforced, whereas any absent information is exempt from enforcement.

Contract disputes are rarely settled by arbitration. The Chinese prefer to settle commercial disagreement via conciliation. Some contracts have allowed for arbitration to take place in Canada, Sweden, or Switzerland, but to date there has been no known case of arbitration involving a U.S. company.

Some additional notes on Chinese contracts:

- Contracts with the Chinese include a clause allowing for their final right to inspection of all imports and exports on behalf of the FTC. This is enforced by the Chinese Commercial Inspection Bureau, which is directly responsible to the Ministry of Foreign Trade.
- Insurance procedures have recently changed. Insurance is now "the responsibility of the cargo owner," so that China no longer sells on a purely c.i.f. basis. China sells certain goods f.o.b. and buys primarily on an f.o.b. basis.
- To date, all commercial transactions have been handled by the Bank of China (BOC)—foreign exchange arm of the People's Bank of China—and require letters of credit. Foreign banks cannot have branches in China, but may have full correspondence with the BOC. Payment to the exporter is authorized only after appropriate shipping documents have been received by the BOC. Chinese import contracts are usually made and paid in Western currency.

Indications are that Chinese sales negotiations and procedures are being decentralized. Recently, there has been a proliferation of domestic enduser corporations. They are directly responsible to the Ministries and may be contacted through the Ministries. These corporations have not replaced the FTC's but have instead evolved to provide more professional and technical expertise.

Businesses should identify the corporation that handles its product line, while also maintaining close contacts with the appropriate FTC, unless it is made clear that the enduser wants to deal directly. (A list of enduser corporations concerned with agriculture and agribusiness products is included on page 5.) The business can contact the enduser by writing to the appropriate Ministry in Beijing.

Some changes also have been made in the methods of doing business at the Guangzhou Fair—the most important trade exhibition in China. The Fair is heavily export oriented and probably is not the best means of marketing new technology or agricultural commodities.

At the 1978 fall Fair, however, some endusers reversed traditional practices by making direct contact with representatives of U.S. businesses, and there was a notable increase in compensation trade.

Attendance at the Fair is still by invitation only. Parties interested in attending should contact the appropriate FTC or the Chinese Embassy. Those wishing to present seminars should correspond with the FTC, as well as the China Council for the Promotion of International Trade (CCPIT), 4 Taipingqiao Lu, Beijing, People's Republic of China; cable: COMTRADE BEIJING.

The Council has several important functions. It is one of the organizers of the Guangzhou Fair and helps set up business appointments and technical seminars at the Fair. It is responsible for disseminating information on new products entering China. It settles contract disputes that have not been resolved via conciliation. It organizes Chinese exhibitions abroad and foreign exhibitions in China.

Finally, it hosts delegations of companies presenting technical seminars in China, and upon the company's request will provide interpreters.

An increasing number of technical seminars are being presented in China. Such seminars are a means of marketing a company's qualifications, products, and technological know-how. Until recently, they required Chinese invitation, were presented in Beijing, and were financed by the company.

For agribusiness products, the technical seminar may be the best means available for a new supplier to introduce products to the Chinese market.

A proposal should include an outline of the seminar, technical information, company information, and biographic material on all members of the proposed U.S. delegation. The seminar will be presented to technical and scientific personnel of enterprises and research organizations. Business discussions are held with the FTC after the seminar and often as not are completed during that visit.

Further inquiries related to marketing agricultural products in China should be addressed to: Export Trade Services Division, FAS, Room 4945-S., U.S. Department of Agriculture, Washington, D.C. 20250; tel: (202) 447-6343. □

Agricultural and Agribusiness Products Imported by China and Corresponding Chinese Ministries and FTC's

Ministries and FTC's correlated to agricultural and agribusiness products:

FTC	*Ministry*
China National Cereals, Oils and Foodstuffs Import and Export Corporation 82 Dong'anmen Lu Beijing, People's Republic of China CABLE: CEROILFOOD BEIJING TELEX: 22281 CEROF CN BEIJING 22111 CEROF CN BEIJING	Agriculture and Forestry; Textile Industry; Light Industry; Commerce
China National Native Produce and Animal By-Products Import and Export Corporation 82 Dong'anmen Lu Beijing, People's Republic of China CABLE: CHINATUSHU BEIJING TELEX: 22283 TUSHU CN BEIJING	Agriculture and Forestry: Textile Industry; Light Industry; Commerce
China National Textiles Import and Export Corporation 82 Dong'anmen Lu Beijing, People's Republic of China CABLE: CHINATEX BEIJING TELEX: 22280 CNTEX CN BEIJING	Textile Industry
China National Light Industrial Products Import and Export Corporation 82 Dong'anmen Lu Beijing, People's Republic of China CABLE: INDUSTRY BEIJING TELEX: 22282 LIGHT CN BEIJING	Light Industry
China National Chemicals Import and Export Corporation Erligou, Xijiao Beijing, People's Republic of China CABLE: SINOCHEM BEIJING TELEX: 22243 CHEMI CN BEIJING	Chemical Industry
China National Technical Import Corporation Erligou, Xijiao Beijing, People's Republic of China CABLE: TECHIMPORT BEIJING TELEX: 22244 CNTIC CN BEIJING	Various, depending on nature of import
China National Machinery Import and Export Corporation Erligou, Xijiao Beijing, People's Republic of China CABLE: MACHIMPEX BEIJING TELEX: 22242 CMIEC CN BEIJING	Machine Building

Hong Kong Branch Offices of the FTC's:

Branch office	*FTC's*
China Resources Company (CRC) Bank of China Building Des Voeux Road Central Hong Kong CABLE: CIRECO HONG KONG	MACHIMPEX SINOCHEM CHINATEX
Hua Yuan Company 37-39 Connaught Road West Hong Kong CABLE: HYCOMP HONG KONG	INDUSTRY CHINATUHSU
Ng Fung Hong Bank of China Building Hong Kong CABLE: NGFUNG HONG KONG	CEROILFOOD
Teck Soon Hong Ltd. 37-39 Connaught Road West Hong Kong CABLE: STILLON HONG KONG	CHINATUHSU INDUSTRY CHINATEX

Enduser corporations and their corresponding FTC's and ministries:

Domestic enduser corporation	*Old FTC*	*Ministry*
China Agricultural Machinery Corporation	MACHIMPEX	First Ministry of Machine Building
China Chemical Construction Corporation	TECHIMPORT	Ministry of Chemical Industry
China National Feedstuffs Corporation	CEROILFOOD CHINATUHSU	Ministry of Commerce
China Seed Corporation	CEROILFOOD	Ministry of Agriculture and Forestry
China National Cereals and Oils Corporation	CEROILFOOD	Ministry of Agriculture and Forestry

Agricultural and agribusiness outputs and their corresponding FTC's:

Product	*FTC*
Cereals, seeds, oilseeds, oilcakes, livestock, poultry, meat, meat products, edible and industrial vegetable oils, salt, sugar, condiments, sweets, eggs, egg products, dairy products, fresh, frozen fruits and fruit products, animal fats, aquatic and marine products, rice made products, wines and spirits, canned goods and beverages	CEROILFOOD
Fresh, dried, frozen, salted dehydrated vegetables, feedstuffs	CEROILFOOD/ CHINATUHSU
Teas, tobacco, bast fibre, timber, rosin forest produce, spices, essential oils, nuts, nut products, medicinal herbs, bristles, bristle brushes, furs and fur products, tail hairs, rabbit hair, goat and camel hair and wool, feathers and feather products, casings	CHINATUHSU
Wool	CHINATUHSU/ CHINATEX
Hides, leathers, leather goods	CHINATUHSU/ INDUSTRY
Cotton, raw and yarn, silks, raw and spun	CHINATEX
Paper and paper products	INDUSTRY
Petroleum products (plastics)	INDUSTRY/ SINOCHEM
Agricultural chemicals, fertilizers, insecticides	SINOCHEM
Rubber	SINOCHEM
Agricultural machinery and implements, electric power generation equipment, food processing and packing equipment	MACHIMPEX
Complete plant and equipment; modern technologies	TECHIMPORT

Useful References

1. Avery and Clarke "The Sino-American Commercial Relationship," in Joint Economic Committee, *Chinese Economy Post-Mao*, USGPO, 1978, pp. 742-763, and other material on agriculture and trade in same publication pp. 607-641, 764-850.
2. "Doing Business with China," *Overseas Business Reports*, February 1979.
3. Nicholas Ludlow, "Hosting a Delegation from the People's Republic of China" (taken from *The China Business Review*, vol. 5, no. 5, September-October 1978).
4. Howell Jackson, "Giving Technical Seminars in the People's Republic of China" (taken from *The China Business Review*, vol. 5, no. 1, January-February 1978).
5. Stephanie Green and Alistair Wrightman, *Technical Training in Export Contracts with the People's Republic of China* (from various *China Business Review* issues 1976-78).
6. John Kamm, "Canton 44: Beyond Expectations", *The China Business Review*, vol. 5, no. 6, November-December 1978, pp. 21-32.

FAO Helps the World Solve Its Food and Agricultural Problems

By Ralph W. Phillips

It is well acknowledged that no country—large or small—can isolate itself from the problems of other nations. The work of the Food and Agriculture Organization of the United Nations (FAO), and that of other groups with which FAO cooperates in solving food problems, is an essential part of intercountry cooperation in today's complex world, paying dividends in terms of economic, nutritional, and social benefits for all peoples.

The United States has played a leading role in FAO since its founding, is its largest financial contributor, and benefits in a variety of ways from FAO's work.

In addition, the United States is a major supporter of the United Nations Development Program (UNDP), which funds a considerable portion of the work that FAO carries out in developing countries.

This strong support for multilateral assistance in agricultural development complements the bilateral assistance the United States extends through the Agency for International Development (AID).

U.S. support for FAO does not conflict with the U.S. role as the leading farm exporter. There is some concern that as developing countries strive for self-sufficiency in food, demand for food imports may diminish. But the population of the Third World is growing at such a rate that dependency on food imports is increasing.

The real question is whether developing countries will be forced, through poverty, to receive more food on concessional terms, or whether, with rising incomes and growing economies, they will purchase more of what they need and be able to obtain enough food from their own production and imports to raise their inadequate diets to a higher standard.

For developing countries with agrarian economies, agriculture holds the key to this prosperity. By backing these countries' efforts to strengthen their agriculture, FAO helps bring about the economic takeoff needed for greater participation in commercial farm trade.

To gain a broad idea of the work of FAO's 4,000 staff members, stationed in many parts of the world, think of the concerns of the U.S. Department of Agriculture, which are similar to those of FAO in many ways.

Both the USDA and FAO promote better ways of producing, processing, and marketing agricultural products.

FAO, like the USDA, also is concerned with forestry. More than half of the world's forests and most of the tropical forests are in developing countries, and much can be done to improve their productivity for the benefit of all countries needing forestry products.

FAO is deeply involved in rural development and the welfare of rural people, and works in many areas of nutrition, from emergency feeding to food safety and education for better diets.

These varied concerns have led to the creation of a wide gamut of programs of planning, technical advice, and information. These programs complement the developing countries' own skills and resources, fill in the expertise they currently lack, and train people to carry on independently. At the same time, FAO provides developed countries with information and forums they need to cooperate effectively in international agricultural affairs and complementing their overseas development efforts.

In addition to the on-the-job training with FAO experts, local counterparts and government officials are encouraged to attend practical seminars and short courses.

A new direction in FAO's training policy aims for quick results at the country level, including vocational training for farmers and other rural people. For example, FAO's fertilizer program, which uses group training and demonstrations to show good fertilizer practices, has already reached nearly 400,000 farmers.

A second new thrust is to take greater advantage of Third World national and regional institutes for FAO-sponsored training, in harmony with the new emphasis on technical cooperation among developing countries.

Many FAO field projects are funded by the UNDP, which supports national and regional development programs worked out by developing countries, including agricultural, fisheries, and forestry projects.

FAO carries out the projects, while UNDP provides the funds. FAO/UNDP project expenditures totaled $90 million in 1977, almost half of the entire FAO field program, and were expected to total about $100 million in 1978.

Typical of such projects are regional soil surveys and land evaluations on the sites of development projects in Tanzania, or a watershed rehabilitation project in Honduras that resettles farm families, employing them in reforestation and soil conservation.

The FAO Conference, the Organization's governing body, has created a program for the prevention of postharvest food losses, which have a major impact on the world's food supply.

The program promotes farm- and village-level projects for simple drying and storage facilities and training in how to protect foods. These projects should serve as a catalyst for wider action in a number of countries.

FAO estimates that at least a tenth of the Third World grain harvest is lost because of pests, spoilage, and lack of adequate storage.

In 1976, FAO launched its technical cooperation program (TCP), bringing a new approach to the provision of assistance. TCP provides small-scale as-

The author is Deputy Director-General, Food and Agriculture Organization of the United Nations, Rome.

Scenes from FAO projects, clockwise from upper left: Trainees working on an afforestation project in the Ecuadorean highlands; drought-stricken cattle in Upper Volta; weaving nets at a training center in the Philippines (pier in background was destroyed by tidal wave); and distributing milk in Mysore, India.

sistance projects on short notice at the request of developing countries. The red tape that routinely causes aid applications to drag out for months or even years has been reduced, enabling FAO to respond to requests within days or weeks.

Typical grants include disaster rehabilitation, such as a $150,000 recovery program for Philippine fishermen following a tidal wave; training, as in a $61,000 grant to help Liberia train new rice extension workers; and investment studies, such as a project for improving an irrigation network prepared for financing in Korea. The TCP often provides a small, but timely, input that enables larger development programs to continue.

Equal in priority to strengthening FAO's action in the field is its commitment to increase investment in agriculture.

While most of this investment continues to come from developing countries, greater investment must be made by all countries if the world is to be adequately fed. In 1977, external investment in Third World food production reached a record of $4.8 billion.

The FAO Investment Center, the initial sector of which was set up cooperatively with the World Bank in 1964, identifies potential agricultural projects and assists the Bank and other lending agencies with project preparation.

Through the Center's work, more than $10 billion has been invested in 300 agricultural projects in 82 countries. About half this investment came from developing countries, including some of the newly created funds of oil-exporting countries. More than half of the $10 billion was invested in the last 4 years, including $2 billion in 1977.

The Center's activities are wide-ranging, including irrigation, credit, forestry, livestock, improved seeds, fisheries, agro-industries, rural development, and agricultural education.

The newest partnership of the FAO Investment Center is with the International Fund for Agricultural Development (IFAD). IFAD, combining $1 billion in funds from oil-exporting and industrial countries, will make loans on soft terms to the neediest countries.

Providing information for use in agricultural planning and decisionmaking is another important task of FAO. FAO maintains a basic data bank on world production and trade of 240 primary and 290 processed commodities, and compiles statistics on agriculture, forestry, and fisheries.

FAO helps developing countries improve their sta-

Continued on page 11

Indian Coffee Is Big Foreign Exchange Earner

By Jawhar A. Thadani

Indian retailer grinds fresh coffee in his shop. India's domestic consumption of coffee has been held down by Coffee Board policy, which helps the country keep coffee exports high.

Although a very minor share of the coffee moving in world trade, India's coffee exports are becoming one of the country's major sources of foreign exchange. Some 50 percent or more of India's total production of Arabica and Robusta coffees is exported and its 1-percent world market share has climbed slightly.

Scrapping of the International Coffee Agreement (ICA) at the beginning of calendar 1973, and the 1975 coffee-crop failure in Brazil—the world's largest coffee producer and exporter—provided Indian growers with new sales opportunities in the world market. They were quick to take advantage of the situation and have established India's reputation as a dependable source for a high-quality product.

Indian producers are hopeful that the trade picture of the future will not include the establishment of new coffee export quotas. But they believe that even if imposed, India's new quota would be substantially larger than in the past. The industry also believes India can boost coffee production sufficiently to carry exports of between 50,000 and 65,000 metric tons a year.

Indian coffee exports have generally been on an uptrend for at least the past 8 years. During the most recent Indian fiscal year (IFY)—1977/78 (April-March)—coffee exports brought in a record amount of foreign exchange, estimated at $284.2 million, compared with $140.7 million a year earlier, largely because of rises in both volume and the per-ton price.

In IFY1970/71, India exported 32,494 tons of coffee with a per-ton value of only $957. By 1976/77 exports had climbed to 47,522 tons and the per-unit price rose to $2,960 per ton. One year later, the volume was 55,753 tons and the per-ton value was $5,097.

Export data issued by the Indian Coffee Board—the Government agency charged with promoting production and marketing of coffee—based on an October-September year, show the same trend, although the totals are different. According to the Board's statistics, Indian coffee exports totaled 37,865 tons in 1970/71, rose to 49,993 tons in 1976/77, and to 54,000 tons in 1977/78.

The Soviet Union has been the largest importer of Indian coffee in recent years, followed by the United States and Yugoslavia. In U.S. fiscal 1977/78, the United States imported 14,711 tons of Indian coffee, compared with 8,152 tons a year earlier.

Exporters Blame ICA for Sales Holddown

Some Indian traders believe India's coffee exports would have been larger in past years had it not been for the ICA, which came into being in 1962 and lasted until 1972. India's coffee-export limit to quota countries was set at 21,600 tons in 1962/63, and fluctuated between 21,000 and 24,000 tons during the ICA's 10-year life.

In 1972/73, following the demise of the ICA, India's coffee exports to quota countries immediately shot to 41,682 tons, 74 percent more than the 24,012 tons of the preceding year. Although exports to the quota countries have declined

The author is an agricultural specialist, Office of U.S. Agricultural Officer, Bombay.

from the 1972/73 high, they are still somewhat larger than those made during the ICA's lifetime. In 1975/76, for example, the last year for which ICA data are available, shipments to quota countries totaled 29,500 tons.

Demand in former nonquota countries also is up, as well as direct sales to a number of European countries, particularly in Eastern Europe. This pressure may cause a further drop in new shipments to former quota countries.

Reduced world supplies of coffee from major producing and exporting countries sent India's export prices skyward to levels more than double those of 1974, often pushing retail prices beyond the reach of many consumers. In some cases, these high prices brought about a switch from coffee to tea.

Export prices peaked during March and April 1977, but dropped sharply during ensuing months, largely because of improved world supplies and reduced demand.

The recent price increases not only have benefited the individual Indian grower, they have also boosted Government income from coffee export duties as it absorbed a part of what it believed were windfall profits to producers. It raised its duties from about Rs300 on February 12, 1976, to a high of Rs2,200 on April 26, 1977.

Although the Government's earnings from this source were scaled down as the export duty was reduced to keep pace with the export price level—to Rs700 in October 1977 and Rs500 in March 1978—their average level for all of 1977 was Rs1,380, considerably higher than it had been in recent years.

According to the Coffee Board, India's coffee output during the 5 years ending in 1976/77 averaged 91,084 tons, composed of some 56,600 tons of Arabica and 34,500 tons of Robusta.

Production during 1977/78 is currently estimated by the Board at 122,000 tons, including 58,000 tons of Arabica and 64,000 tons of Robusta. For 1978/79, production was expected to set a new record, but more recent indications are that the crop may now be smaller than anticipated.

(In addition to the level cited by the Coffee Board, about 5,500 tons of coffee are produced and consumed domestically and are excluded from the Board's data.)

India's production of Robusta seems to be showing the greatest growth, outpacing that of Arabica in part because new area brought into production in recent years has been better suited to Robusta than to Arabica. Also, demand for Robusta started to strengthen at the same time output started to rise.

Output of Indian coffee has fluctuated greatly in the past, governed by a 6-year production cycle. During the first 2 years, output tended to rest at about normal levels and for the other 4 years it often slid so low the supply was unable to meet domestic and export demand. More recently, however, production has tended to stabilize for the entire cycle.

Most Indian Coffee Estates Small

According to a recent Government census, there are 80,587 coffee estates in India, the largest number—37,604—being in Kerala. They range in area from 1 to about 2,000 hectares. Only about 3 percent are 10 hectares or larger, 6 percent are larger than 4 hectares but smaller than 10, and 91 percent are smaller than 4 hectares. Coffee occupies only 0.01 percent of the country's arable land (186,000 hectares) and about 300,000 farmers are involved in growing coffee.

India's coffee area has generally been increasing for about the past decade—from 140,780 hectares in 1972/73 to 186,000 in 1976/77, the last year for which such data are available. During the same years, however, yields have shown no similar movement. From 620 kilograms per hectare in 1972/73, yields fell as low as 487 kilograms in 1975/76, and recovered only to 548 kilograms per hectare in 1976/77.

Despite the climb in coffee production, domestic consumption has not kept pace. Rising by about 10,000 tons in recent years—from 45,000 to 55,000 tons a year—consumption was retarded by the Board's policy to allocate to the domestic market just enough coffee to meet basic current requirements, shipping the balance in export to earn foreign exchange. This tight control kept domestic consumption at relatively stable levels. However, prospects are that India will soon have surplus domestic supplies and the Board is expected to push home sales somewhat.

The recent price boom has considerably improved the profit standing of some Indian coffee estates, particularly those growing Robusta. Arabica plantation varieties have been the most popular in world coffee markets, but Robusta Parchment and Cherry varieties also have been in great demand.

Indian coffee growers earned incomes about two or three times greater in 1978 than in early 1975 and prior years. In those early years, smallholder coffee producers not only experienced problems common to all small-scale farmers, but they also encountered others peculiar to smallholder coffee growers.

For example, on the export market, these smallholder coffee growers had to sell their product in a sales environment mainly controlled by the large-scale producers; they found it nearly impossible to boost shipments to nonquota countries; and they reeled periodically from competition from lower cost non-Indian producers.

Problems Forced Producers To Cut Coffee Shipments

At home, Indian smallholders faced the problem of increasing sales in a market dominated by tea drinkers, whose low per capita income made it difficult to buy the higher priced coffee.

The impact of these early market conditions forced some coffee producers to stop shipping temporarily. In Kerala State, for example, as many as 300 Robusta coffee estates ceased operations for varying periods of time in 1974.

But prospects have improved markedly since then, and the Coffee Board estimates domestic and export demand for the Indian product will reach 200,000 tons by the beginning of the new century and is laying the groundwork to make its achievement possible.

If, its objectives are attained, the Indian coffee industry will improve its standing in both export and domestic markets, although it will still provide only a minor share of the world's coffee needs, compared with such coffee exporting giants as Brazil and Colombia. □

Japan's Coarse Grain Imports Expected To Rise in 1978/79

Japan's coarse grain imports—including corn, sorghum, barley, oats, and rye—are expected to total 17.43 million metric tons in 1978/79 (July-June), according to the U.S. Agricultural Attaché in Tokyo, up 390,000 metric tons from his November forecast.

The revision primarily reflects a reassessment of expanding swine feed demand and current expectations that surplus rice disposal in compound feeds will be delayed until July or August, thereby not displacing any coarse grain consumption this season.

Demand for feedstuffs by compound feed manufacturers in 1978/79 is now forecast at 21.66 million tons—up 5.7 percent from last season's level and 2.3 percent (480,000 tons) above the Attaché's November forecast. Coarse-grain consumption in compound feeds is expected to total about 13.93 million tons, 490,000 tons above the November forecast.

The upward adjustment in overall feed demand primarily reflects in higher pig "starter" feed production and sales during July-October, which were reportedly 20 percent above last year's. Also, marketing trend reports now indicate increased hog slaughter this season.

Dairy feed production for July-June also is expected to rise to 2.3 million tons, up 6 percent compared with 4 percent forecast in November. Forecasts for poultry and beef feed production—at 10 million and 2.3 million tons, respectively—are up only marginally from 1977/78.

Subsidized rice sales from Government stockpiles to feed compounders are now expected to begin in July or August, according to trade and unofficial Government sources. Consequently, no rice is expected to displace coarse grains in compound feeds during 1978/79.

Imports of coarse grains during 1978/79 are now expected to be up 515,000 tons from last season's imports. Corn imports are expected to reach 10.8 million tons, 1.1 million tons above the 1977/78 level. Sorghum imports should slip to 4.8 million tons, down from 5.2 million tons last season. This mixed outlook of import requirements within the coarse-grain complex reflects upward adjustments since November in the swine-feed demand. □

Peru Sets 1979 Plan For Agricultural Imports

Peru recently established its calendar 1979 import plan for basic agricultural products. The ministerial resolution in early November called for lower imports of wheat and soybean oil, but larger purchases of feedgrains and soybeans as an economic recession continues to grip the country.

Farm products authorized for purchase during 1979, with tonnages in parentheses, were: Wheat, (740,000); corn/sorghum, (175,000); milled rice, (80,000); soybeans, (43,500); crude soybean oil, (64,000); nonfat dry milk (17,000); and butter oil (8,000).

Peru's wheat import intentions represent a marked drop from the approximately 790,000 tons imported in 1978. Government officials say the economic recession is continuing to reduce per capita demand for wheat, so the purchase of 740,000 tons in 1979 will be sufficient to cover demand. Also, 1978's imports were higher than the planned level of 760,000 tons, owing to Peru's compliance with the usual marketing provisions of the P.L. 480, Title I, Agreement signed by the Governments of Peru and the United States. As a result, last year's carryout stocks were higher than anticipated and partially offset 1979's import requirement.

On the other hand, plans for feedgrain imports for 1979 are up by 25,000 tons, reflecting the low 1978 drought-affected corn crop of 550,000 tons, some 170,000 tons below 1977's level.

This year's plan for rice imports was necessary because of the extreme drought in the main producing regions that caused 1978's outturn to fall to 268,000 tons of milled rice from 372,000 tons in 1977. The United States is expected to supply more than 70,000 tons of the authorized 1979 imports under P.L. 480.

Soybean import plans set for 1979 are up 8,500 tons from those of 1978, with the increase reflecting mounting interest in replacing fishmeal with soybean meal in feed rations. However, the tight foreign exchange situation in Peru prevented the import of an additional 11,500 tons of soybeans in calendar 1978, as envisioned by the ministerial resolution last April 12.

The intention to import only 64,000 tons of soybean oil represents a considerable drop from the estimated import of 82,500 tons during 1978. Again, relatively large carryover stocks will permit reduced purchases this year. Nonetheless, the ultimate import volume of edible vegetable oils will depend greatly on 1979's fish catch, cottonseed production, and domestic demand, which will continue to be affected by depressed economic conditions in the country.

Although import plans for dairy products show a decline, some sources in Peru thought that the drop would be even greater, given the expected rise in domestic production. Apparently the decline in imports was not as great because with domestic fluid-milk prices increasing, imported products are still more favorably priced.

Meat products were notably omitted from Peru's 1979 import plan, largely because of the decline in consumer purchasing power and the subsequent drop in demand. However, small amounts of offals will have to be imported in 1979, considering the high demand for these products relative to other meat items in Peru.

—A report from Richard L. Barnes, U.S. Agricultural Attaché, Lima. □

Continued from page 7

FAO Helps the World . . .

tistics in the course of promoting participation in the world census of agriculture. More than 100 countries participated in the 1970 census, and preparations are well along for the 1980 census.

Complementing this work, FAO sponsors a variety of training courses on data collection, crop forecasting, remote sensing applications, and use of census data.

The practical information acquired by FAO over decades is distilled and disseminated through its publications. These varied information components are the starting point for another major area of FAO's work: planning and analysis.

FAO planning teams are helping a number of countries to plot their development courses, and a number of regional organizations are receiving help in their agricultural planning efforts.

Much FAO analysis concerns commodity prospects. More than 70 commodities are analyzed regularly and detailed outlook statements are made yearly for major commodities to facilitate discussion and action among interested countries.

As a framework for these forecasts, and to highlight future issues, a series of projections of production, demand, and trade for these commodities through 1985 has been completed, and a major study of the world agricultural economy under different options of trade and economic growth is underway.

The final value of such work is the action it stimulates. FAO has always served as an international agricultural forum where member governments can weigh available information and air their viewpoints, in order to arrive at the best strategy for coordinated action.

Of special importance to agricultural trade are FAO intergovernmental groups on specific commodities. These forums of importing and exporting countries work out positions on both current developments and longer standing issues. The work of several of these groups has led to preparatory talks for international commodity agreements at the United Nations Conference on Trade and Development (UNCTAD) in Geneva.

While tackling the long-range problems of agriculture and development, FAO does not neglect the most pressing of all food problems—food emergencies.

The global information and early warning system on food and agriculture evaluates crop conditions around the world each month, especially in light of the food problems faced by developing countries and the security of world food stocks. When impending food shortages are foreseen, immediately affected and food-donor countries are quickly alerted.

This system enabled FAO to predict by September 1977 that drought in the Sahelian zone of Africa would trigger renewed food shortages later in the year. This warning helped to facilitate the timely assistance that averted a new disaster in the region.

The World Food Program (WFP), a body set up jointly by FAO and the U.N., is ready to act on such early warnings of shortages. WFP emergency food shipments, often the first to arrive after crop shortages or natural disasters occur, are authorized by the Director-General of FAO, and have been especially numerous in the past year, because of drought, flood, and political upheavals in many quarters of the globe. □

Asian Seminar Set By Western Wheat

Milling and baking officials and specialists from the 14 Asian countries that comprise a $2-billion-a-year market for U.S. wheat are expected to attend a technical and marketing seminar in Singapore March 28-30 sponsored by Western Wheat Associates, USA.

Speakers will include more than 20 leaders in the fields of milling and baking technology, marketing, government, and industry.

About 175 guests are expected at the seminar, which is geared toward technical, marketing, and management considerations designed to benefit all segments of Asian milling and baking industries.

Western Wheat Associates was organized in 1959 to provide a coordinated approach to the development of cash markets for U.S. wheat in Asia. The seminar is described by Western Wheat President Dick Baum as "a 20th anniversary expression of gratitude to our Asian customers."

Western Wheat's market development program is supported by U.S. wheat producers working in cooperation with FAS. □

Foreign Agriculture

Vol. XVII No. 12
March 19, 1979

Bob Bergland, Secretary of Agriculture.

Dale E. Hathaway, Assistant Secretary for International Affairs and Commodity Programs.

Thomas R. Hughes, Administrator, Foreign Agricultural Service.

Editorial Staff:
Kay Owsley Patterson, Editor
Beverly J. Horsley, Assoc. Editor; G. H. Baker; Marcellus P. Murphy; Aubrey C. Robinson; Lynn A. Krawczyk; Isabel A. Smith.

Advisory Board: Richard A. Smith, Chairman; William F. Doering; Richard M. Kennedy; J. Don Looper; Larry N. Marton; Jimmy D. Minyard; Turner L. Oyloe; Steven Washenko.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1979. Yearly subscription rate: $38.00 domestic, $48.00 foreign; single copies 80 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL

First Class

FA SERIA300SBISSDUE035R 1
SERIALS PROCESSING
XEROX UNIV MICROFILMS
300 N ZEEB RD
ANN ARBOR MI 48106

FAO Reports World Farm Trade a Record

High prices pushed the value of world agricultural trade to a record $189 billion in 1977, according to a publication of the Food and Agriculture Organization of the United Nations (FAO), released in Rome.

The FAO "Commodity Review and Outlook, 1977-79," a yearly analysis of world agricultural trade, characterizes 1977 and 1978 as years of more abundant supplies of most commodities, rising prices, and record trade values. However, there were "serious underlying problems" in the agricultural trade sector.

These included persisting instability in supplies and prices of tropical beverages and some other commodities, burdensome surpluses of sugar and dairy products, lagging food and fiber production in developing countries, and "chronic problems" caused by protectionism. Similar problems will be faced in 1979.

Stable or higher prices are forecast for most major commodities in 1979, including cocoa, tea, livestock products, cotton, hides and skins, and citrus fruits, but the FAO report does not foresee major price rises for many commodities. Government policy measures and further stockpiling will be key factors in maintaining price levels for most cereals during the 1978/79 marketing season.

In spite of a decline forecast in the volume of international cereals trade, on balance, both the volume and value of agricultural commodity exports are expected to increase in 1979, although at a rate slower than that achieved in the recent past.

World exports of agriculture, fishery, and forestry products rose by $19 billion, or 12 percent in 1977, following a 12 percent rise in prices of agricultural commodities, which reached 240 percent of their 1970 level.

The volume of products exported rose less than 2.5 percent. Developed countries imported a smaller volume of agricultural commodities, reflecting sluggish economic activities, while developing countries imported a larger volume, mainly of foodstuffs.

Most of the benefits of increased trade for 1977 were earned by a few commodities. Coffee exports alone increased $3.7 billion and combined earnings of coffee, tea, and cocoa, which sold for record prices, soared by half to more than $16 billion. Export earnings from oilseeds and oilseed products rose by one-fourth, or by more than $4 billion, to $21.3 billion.

Earnings increased for exports of many other products, including cotton, beef and sheep meats, citrus fruit, wine, tobacco, bananas, pepper, and fish. However, the value of cereal exports fell for the first time in many years, and falling sugar prices offset a large rise in volume, holding earnings steady.

The agricultural exports of developing countries grew strongly during 1976 and 1977, to nearly $60 billion, mainly because of high tropical beverage and oilseed prices. At the same time, agricultural imports of developing countries exceeded $35 billion in 1977, largely reflecting fast growing imports of food. FAO reports "staggering growth of $3.3 billion per year in developing countries' food imports during 1970-77."

Except during the past 2 years, the developing countries' share of agricultural exports has continued to decline. FAO cites "widespread incidence of protectionism which their exports face in developed countries" as "one of the major factors affecting the trade performance of developing countries." □

FOREIGN AGRICULTURE To Go Monthly

Foreign Agriculture will become a monthly beginning with the April issue. To be published thereafter at the first of each month, the magazine will be expanded in length and scope. Data and text will be updated until press time to insure use of the latest possible information.

This issue is the last to be published on a weekly basis.

Suitable adjustments will be made by the Superintendent of Documents for all current subscribers.